

SANILAC INTERMEDIATE SCHOOL DISTRICT

SANDUSKY, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

	<u>PAGE</u>
Report of Independent Accountants	I
Management’s Discussion and Analysis	II - X
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Notes to the Financial Statements	6 – 17
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	18
Special Education Fund	19
Vocational Education Fund	20
2005 Capital Projects Fund	21
Other Supplemental Information	
Combining Balance Sheet – Other Governmental Funds	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	23

TABLE OF CONTENTS

	<u>PAGE</u>
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	24
Schedule 2 - General Fund - Schedule of Expenditures	25 – 26
Schedule 3 – Special Education Fund - Schedule of Revenues	27
Schedule 4 – Special Education Fund - Schedule of Expenditures	28 – 29
Schedule 5 – Vocational Education Fund - Schedule of Revenues	30
Schedule 6 – Vocational Education Fund - Schedule of Expenditures	31 – 32
Other Supplemental Schedules:	
Schedule 7 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	33
Schedule 8 - Schedule of Bond Principal and Interest Requirements	34 - 35



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 18, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Sanilac Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sanilac Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report under separate cover dated August 18, 2005 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - X and 17 - 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac Intermediate School District's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Sanilac Intermediate School District, located in Sanilac County, Michigan, is in its third year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the Sanilac Intermediate School District's administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Special Education and Vocational Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

District Wide Financial Statements: (Continued)

These two statements report the Sanilac Intermediate School District net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services. Property taxes, unrestricted State aid, and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2005 and 2004:

NET ASSETS SUMMARY

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current Assets	\$2,903,491	\$2,601,492
Non-Current Assets	<u>3,794,228</u>	<u>3,925,084</u>
<u>TOTAL ASSETS</u>	<u><u>\$6,697,719</u></u>	<u><u>\$6,526,576</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,095,942	\$1,116,242
Long-Term Liabilities	<u>2,120,963</u>	<u>1,963,746</u>
Total Liabilities	\$3,216,905	\$3,079,988
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related Debt	1,450,153	1,795,005
Restricted for Debt Service	95,568	106,121
Restricted for Capital Projects	876,441	242,235
Unrestricted	<u>1,058,652</u>	<u>1,303,227</u>
Total Net Assets	<u><u>\$3,480,814</u></u>	<u><u>\$3,446,588</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$6,697,719</u></u>	<u><u>\$6,526,576</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2005 and 2004, the District wide results of operations were:

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$249,365	\$236,966
Property Taxes Levied for Special Education Operations	898,005	853,464
Property Taxes Levied for Vocational Education Operations	1,996,254	1,897,015
Property Taxes Levied for Debt Service	184,497	223,480
State of Michigan Unrestricted Foundation Aid	632,603	621,157
Other General Revenues	<u>780,161</u>	<u>788,280</u>
Total General Revenues	\$4,740,885	\$4,620,362
<u>Operating Grants:</u>		
Federal	2,371,743	2,429,234
State of Michigan	1,223,250	1,273,334
Other Grants	<u>558,603</u>	<u>271,526</u>
Total Operating Grants	\$4,153,596	\$3,974,094
<u>Charges for Services:</u>		
General Fund	14,853	249,885
Special Education Fund	223,977	219,850
Vocational Education Fund	<u>435,994</u>	<u>513,183</u>
Total Charges for Services	<u>\$674,824</u>	<u>\$982,918</u>
Total Revenues	\$9,569,305	\$9,577,374
<u>EXPENSES</u>		
Instruction & Instructional Support	3,401,534	3,093,311
Support Services	5,598,838	6,056,518
Community Services	373,451	426,004
Interest on Long-Term Debt	52,775	45,752
Depreciation	<u>108,481</u>	<u>119,683</u>
Total Expenses	<u>\$9,535,079</u>	<u>\$9,741,268</u>
<u>INCREASE IN NET ASSETS</u>	\$34,226	(\$163,894)
<u>BEGINNING NET ASSETS</u>	<u>3,446,588</u>	<u>3,610,482</u>
<u>ENDING NET ASSETS</u>	<u><u>\$3,480,814</u></u>	<u><u>\$3,446,588</u></u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the District's Total Net Assets increased by \$34,226 to a total of \$3,480,814. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$344,852 during the year due to depreciation exceeding purchases of new capital assets and principal payments on related debt. The District's Unrestricted Net Assets decreased by \$244,575 during the year and the restricted portion of the net assets increased by \$623,653. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$34,226. The total revenues decreased by \$8,069. The major change was state aid reductions, fire insurance proceeds recognized in year of event, reduced funding in the capacity building program. Total expenditures decreased by \$206,189 due to decreased Literacy funding, reduction in staff, fire replacement, reduction in operation and maintenance and instructional program costs, contracted Speech Therapy services, lower enrollment in Community Education offerings, and securing of lower interest rates on borrowings than anticipated.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$131,559 during the year with the decrease coming primarily from a reduction in cash. Revenues for the year decreased by \$302,188 primarily from reduction in state aid, particularly section 81 funding. Expenditures and other financing uses increased by \$101,325, primarily due to professional development offerings, yearly salary and benefit increases. The major source of general fund revenues is state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 81)

The State of Michigan aid provided under Section 81 of the State Aid Act provides the majority of state aid to the District's General Fund. Funding to the District under Section 81 is provided to comply with the requirements of the State Aid Act and to provide technical assistance to local districts as authorized by the intermediate school board. Funding under Section 81 was \$624,411 (\$407,478 posted to general fund, \$95,392 to special education and \$131,541 to vocational education) for the fiscal year a decrease of \$112,504 from the previous year.

2. Property Taxes Levied For General Operations (General Fund Homestead and Non-Homestead Taxes)

The District levies .2056 mills of property taxes for operations (General Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2004-2005 fiscal year was \$249,365. An increase of \$12,399 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

Special Education Fund

Unreserved fund balance for the special education fund increased by \$72,142 during the year with the increase coming primarily from a increase in cash. Revenues for the year increased by \$91,442 primarily from Medicaid reimbursements and property taxes. Expenditures and other financing uses decreased by \$70,200, primarily reduction in instructional classroom expenditures, contracted services and transportation expenditures. The major source of special education revenues is federal grants, state aid and taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Section 51)

The State of Michigan aid provided under Section 51 of the State Aid Act provides the majority of state aid to the District's Special Education Fund. Funding to the District under Section 51 is provided to reimburse the District for unreimbursed costs of special education programs, services and special education personnel. Funding under Section 51 was \$700,343 for the fiscal year an increase of \$9,379 from the previous year.

2. Property Taxes Levied For Special Education

The District levies .7404 mills of property taxes for operations (Special Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's property tax revenue for the 2004-2005 fiscal year was \$898,005. An increase of \$44,541 from the prior year.

Vocational Education Fund

Unreserved fund balance for the vocational education fund decreased by \$183,138 during the year with the decrease coming primarily from a decrease in cash. Revenues for the year decreased by \$7,666 primarily due to a reduction in state aid. Expenditures and other financing uses increased by \$477,630 primarily due to yearly salary and benefit increases, upgrading program equipment, addition of Entrepreneur Grant and additional Michigan Works funding. The major source of vocational education revenues is taxes. An analysis of the major revenue sources is as follows:

1. State of Michigan Aid (Sections 61 and 62)

The State of Michigan aid provided under Sections 61 and 62 of the State Aid Act provides the majority of state aid to the District's Vocational Education Fund. Funding to the District under Sections 61 and 62 is provided to reimburse, on an added cost basis, the District for unreimbursed costs of its vocational-technical education center and vocational-technical programs and services. Funding under Sections 61 and 62 was \$344,810 for the fiscal year an increase of \$4,921 from the previous year.

2. Property Taxes Levied For Vocational Education

The District levies 1.6459 mills of property taxes for operations (Vocational Education Fund) on Homestead and Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2004-2005 fiscal year was \$1,996,254. An increase of \$99,239 from the prior year.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

2005 Capital Projects Fund

The District's 2005 capital projects fund balance increased by \$624,810. The primary sources of revenue were transfers from other funds and the issuance of bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$1,563,775	\$1,479,051	\$1,489,426	5.42	0.70
Expenditures	1,685,223	1,677,249	1,620,985	0.47	3.35
<u>TOTAL</u>	<u>(\$121,448)</u>	<u>(\$198,198)</u>	<u>(\$131,559)</u>		

SPECIAL EDUCATION FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$4,000,081	\$3,888,653	\$3,962,198	2.79	1.89
Expenditures	4,048,718	3,951,878	3,890,056	2.39	1.56
<u>TOTAL</u>	<u>(\$48,637)</u>	<u>(\$63,225)</u>	<u>\$72,142</u>		

VOCATIONAL EDUCATION FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$4,412,622	\$3,734,519	\$3,843,573	15.37	2.92
Expenditures	4,640,124	4,063,549	4,026,711	12.43	0.91
<u>TOTAL</u>	<u>(\$227,502)</u>	<u>(\$329,030)</u>	<u>(\$183,138)</u>		

2005 CAPITAL PROJECTS FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final Budget %	Variance Actual & Final Budget %
Revenue	\$441,339	\$441,339	\$800,224	0.00	81.32
Expenditures	441,339	441,339	175,414	0.00	60.25
<u>TOTAL</u>	<u>\$0</u>	<u>\$0</u>	<u>\$624,810</u>		

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Sanilac Intermediate School District amends its budget during the school year. The June, 2005 budget amendment was the final budget for the fiscal year. Significant budget variations were as follows:.

Original Budget vs. Final Budget

General Fund

Revenues: Professional Development generated more than anticipated. Summer Camp/Science enrollment was higher than anticipated. The District was re-awarded Great Parent, Great Start monies to continue supporting the Governor's preschool initiative. State aid section 81 was reduced by 12.93%. Literacy received funding at the second level of funding. Fire proceeds were booked in the year of the event. Received emergency response monies. Reduced staffing in Economic Development resulting in a reduction in billable revenue.

Expenditures: Professional development offerings were greater than originally anticipated. Summer Camp/Science enrollment was higher than anticipated. The District was re-awarded great parent, great start monies to continue supporting the Governor's preschool initiative that wasn't included in original budget. Received emergency response monies that were used to offset emergency management costs.

Special Education Fund

Revenues: Funding for the Medicaid-School Based Services and AOP Administrative outreach increased based upon actual receipts.

Expenditures: Decreased expenditures in instructional programs and support services.

Vocational Education Fund

Revenues: Awarded funding through Entrepreneur grant. Section 61A.1 Added cost monies increased. Perkins funding increased from original projection. Fire proceeds transferred to 2005 Building & Site project.

Expenditures: Community education expenditures decreased due to fewer offerings in second semester. Transferred building portion of insurance to 2005 building & Site project.

2005 Capital Projects Fund

Revenues and Expenditures: No variations in revenues and expenditures

Actual Results vs. Final Budget

General Fund

Revenues and Expenditures: No significant variations in revenues. Expenditures variations occurred in disbursement in professional development and fire replacement. Monies unspent will be carried over for future years usage.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

ANALYSIS OF BUDGETS: (Continued)

Actual Results vs. Final Budget (Continued)

Special Education Fund

Revenues: Significant variances in actual results versus final budget were due to actual Medicaid and AOP receipts.

Expenditures: Variances occurred primarily in reduced instructional classroom expenditures, contracted services and transportation expenditures.

Vocational Education Fund

Revenues: Significant variances in actual results versus budget were due to insurance proceeds from the fire at the Career Tech Center.

Expenditures: No significant variations.

2005 Capital Projects Funds

Revenues: Significant variances in actual results versus budget were due to receiving more insurance reimbursements than what was budgeted.

Expenditures: Significant variances were due budgeting more for building construction than what was spent in the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-04	Increases 6-30-05	Principal Payments 6-30-05	Principal Balance 6-30-05
Bonds Payable	\$2,046,555	\$425,000	\$201,803	\$2,269,752
Contracts Payable	83,524	39,439	48,640	74,323
Unpaid Sick & Vacation Payable	53,051	0	462	52,589
<u>Total Long-Term Obligations</u>	<u>\$2,183,130</u>	<u>\$464,439</u>	<u>\$250,905</u>	<u>\$2,396,664</u>

The District issued bonds on March 8, 2005 in the amount of \$425,000. The bonds mature serially through May 1, 2019, at varying principal amounts. Interest rates on the bonds range from 2.65% to 4.25% per annum. The balance of the bonds at June 30, 2005, was \$425,000.

SANILAC INTERMEDIATE SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Capital Assets

The district's net investment in capital assets decreased by \$130,856 during the fiscal year. This can be summarized as follows:

	Balance 7-1-04	Additions	Deductions	Balance 6-30-05
Capital Assets	\$7,238,898	\$46,951	\$0	\$7,285,849
Less: Accumulated Depreciation	(3,313,814)	(177,807)	0	(3,491,621)
<u>Net Investment Capital Outlay</u>	<u>\$3,925,084</u>	<u>(\$130,856)</u>	<u>\$0</u>	<u>\$3,794,228</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Sanilac Intermediate School District.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$1,871,618	\$1,592,064
Accounts Receivable	321,992	427,205
Interest Receivable	2,305	2,202
Due from Other Governmental Units	706,810	527,686
Inventory	0	35,878
Prepaid Expenses	766	16,457
Total Current Assets	<u>\$2,903,491</u>	<u>\$2,601,492</u>
<u>NON-CURRENT ASSETS</u>		
Capital Assets	7,285,849	7,238,898
Less: Accumulated Depreciation	<u>(3,491,621)</u>	<u>(3,313,814)</u>
Total Noncurrent Assets	<u>\$3,794,228</u>	<u>\$3,925,084</u>
<u>TOTAL ASSETS</u>	<u>\$6,697,719</u>	<u>\$6,526,576</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	151,341	308,899
Salaries Payable	324,772	310,121
Accrued Expenses	197,124	201,798
Deferred Revenue	147,004	76,040
Current Portion of Long-Term Obligations	275,701	219,384
Total Current Liabilities	<u>\$1,095,942</u>	<u>\$1,116,242</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>2,120,963</u>	<u>1,963,746</u>
<u>TOTAL LIABILITIES</u>	<u>\$3,216,905</u>	<u>\$3,079,988</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,450,153	1,795,005
Restricted for:		
Reserved for Debt Retirement	95,568	106,121
Reserved for Capital Projects	876,441	242,235
Unrestricted	<u>1,058,652</u>	<u>1,303,227</u>
<u>TOTAL NET ASSETS</u>	<u>\$3,480,814</u>	<u>\$3,446,588</u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004	
	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges For	Operating	Revenue &	Revenue &
		Services	Grants and	Change in	Change in
			Contributions	Net Assets	Net Assets
Governmental Activities:					
Instruction	\$3,401,534	\$0	\$1,551,913	(\$1,849,621)	(\$1,971,216)
Support Services	5,598,838	674,824	2,171,873	(2,752,141)	(2,237,601)
Community Services	373,451	0	429,810	56,359	(410,004)
Interest - Long-Term Obligations	52,775	0	0	(52,775)	(45,752)
Depreciation - Unallocated	108,481	0	0	(108,481)	(119,683)
<u>TOTALS</u>	<u>\$9,535,079</u>	<u>\$674,824</u>	<u>\$4,153,596</u>	<u>(\$4,706,659)</u>	<u>(\$4,784,256)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes				3,328,121	3,210,925
State Aid				632,603	621,157
Grants and Contributions Not Restricted to					
Specific Programs				7,651	2,676
Investment Earnings				43,757	31,814
Miscellaneous				728,753	753,790
Total General Revenues and Transfers				<u>\$4,740,885</u>	<u>\$4,620,362</u>
Change in Net Assets				<u>\$34,226</u>	<u>(\$163,894)</u>
Net Assets - Beginning - As Restated				<u>3,446,588</u>	<u>3,610,482</u>
<u>Net Assets - Ending</u>				<u><u>\$3,480,814</u></u>	<u><u>\$3,446,588</u></u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Special Education Fund	Vocational Education Fund	2005 Capital Projects
<u>ASSETS</u>				
Cash and Cash Equivalents	\$183,538	\$521,181	\$506,122	\$270,599
Accounts Receivable	2,078	11,715	73,046	233,404
Interest Receivable	0	0	0	0
Due from Other Governmental Units	132,494	366,846	207,363	0
Due from Other Funds	6,606	14,536	30,000	120,807
Prepaid Expenses	391	375	0	0
<u>TOTAL ASSETS</u>	<u>\$325,107</u>	<u>\$914,653</u>	<u>\$816,531</u>	<u>\$624,810</u>
<u>LIABILITIES</u>				
Accounts Payable	\$15,686	\$100,743	\$34,912	\$0
Due to Other Funds	1,146	1,616	122,047	0
Salaries Payable	20,462	149,825	154,485	0
Accrued Expenses	5,526	112,020	68,749	0
Deferred Revenue	132,889	21	14,094	0
Total Liabilities	\$175,709	\$364,225	\$394,287	\$0
<u>FUND BALANCES</u>				
Reserved For:				
Reserved for Prepaid Expenses	391	375	0	0
Reserved for Debt Retirement	0	0	0	0
Reserved for Capital Projects	0	0	0	624,810
Unreserved:				
Undesignated, Reported In:				
General Fund	149,007	0	0	0
Special Education Fund	0	550,053	0	0
Vocational Education Fund	0	0	422,244	0
Total Fund Balances	\$149,398	\$550,428	\$422,244	\$624,810
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$325,107</u>	<u>\$914,653</u>	<u>\$816,531</u>	<u>\$624,810</u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Other Governmental Funds	Total Governmental Funds		
		Total Governmental Fund Balances:	\$2,094,079
\$390,178	\$1,871,618	Amounts reported for governmental activities in the statement of	
1,749	321,992	net assets are different because:	
2,305	2,305	Capital assets used in governmental activities are not financial	
107	706,810	resources and therefore are not reported as assets in governmental	
0	171,949	funds. The cost of the assets is \$7,285,849 and the	
0	766	accumulated depreciation is \$3,491,621	3,794,228
		Accrued Interest on Long-Term Debt	(10,829)
\$394,339	\$3,075,440	Long-term liabilities, including bonds payable, are not due and	
		payable in the current period and therefore are not reported as	
\$0	\$151,341	liabilities in the funds. Long-term liabilities at year end consist of:	
47,140	171,949	Bonds Payable	\$2,269,752
0	324,772	Contracts Payable	74,323
0	186,295	Sick and Vacation Pay	52,589
0	147,004	Total Long-Term Liabilities	(2,396,664)
\$47,140	\$981,361		
		<u>TOTAL NET ASSETS -</u>	
		<u>GOVERNMENTAL ACTIVITIES</u>	<u>\$3,480,814</u>
0	766		
95,568	95,568		
251,631	876,441		
0	149,007		
0	550,053		
0	422,244		
\$347,199	\$2,094,079		
\$394,339	\$3,075,440		

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Special Education Fund	Vocational Education Fund	2005 Capital Projects
<u>REVENUES</u>				
Local Sources	\$289,934	\$1,227,141	\$2,275,135	\$3,724
State Sources	538,870	819,077	485,632	0
Federal Sources	29,667	1,692,003	661,813	0
Total Revenues	\$858,471	\$3,738,221	\$3,422,580	\$3,724
<u>EXPENDITURES</u>				
Current:				
Instruction	163,229	1,176,321	2,022,422	0
Student Services	0	638,267	120,947	0
Instructional Support	452,028	779,104	235,335	0
General Administration	457,013	7,512	3,877	0
School Administration	0	166,304	460,829	0
Business Administration	1,529	5,085	12,849	0
Operation & Maintenance of Plant	5,938	79,198	396,137	0
Transportation	0	314,452	0	0
Support Services - Other	320,150	0	34,065	0
Community Services	202,711	1,080	169,660	0
Debt Service	0	0	0	0
Capital Outlay	0	0	0	175,414
Total Expenditures	\$1,602,598	\$3,167,323	\$3,456,121	\$175,414
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$744,127)	\$570,898	(\$33,541)	(\$171,690)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from (to) Other Funds	285,945	(152,997)	(199,058)	17,226
Other Transfers	326,623	(345,759)	49,461	354,274
Bond Proceeds	0	0	0	425,000
Total Other Financing Sources (Uses)	\$612,568	(\$498,756)	(\$149,597)	\$796,500
Net Change in Fund Balance	(\$131,559)	\$72,142	(\$183,138)	\$624,810
<u>FUND BALANCE - BEGINNING</u>	280,957	478,286	605,382	0
<u>FUND BALANCE - ENDING</u>	\$149,398	\$550,428	\$422,244	\$624,810

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds	
\$201,521	\$3,997,455	Total net change in fund balances - governmental funds \$381,098
534	1,844,113	
0	2,383,483	Amounts reported for governmental activities in the statement of activities are different because:
\$202,055	\$8,225,051	
0	3,361,972	Governmental funds report capital outlays as expenditures.
0	759,214	However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.
0	1,466,467	This is the amount by which capital outlay exceeded depreciation in the current period. (130,856)
0	468,402	
0	627,133	
0	19,463	
0	481,273	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds. 250,443
0	314,452	
0	354,215	Loan Proceeds (464,439)
0	373,451	
200,293	200,293	Change in accrued interest on long-term liabilities (2,482)
51,803	227,217	
\$252,096	\$8,653,552	Decrease in accrued compensated absences 462
		CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$34,226
(\$50,041)	(\$428,501)	
48,884	0	
0	384,599	
0	425,000	
\$48,884	\$809,599	
(\$1,157)	\$381,098	
348,356	1,712,981	
\$347,199	\$2,094,079	

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$72,256</u>
<u>TOTAL ASSETS</u>	<u>\$72,256</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$72,256</u>
<u>TOTAL LIABILITIES</u>	<u>\$72,256</u>

See accompanying notes to the basic financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanilac Intermediate School District conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Education Fund – The special education fund is used to account for financial resources to be used specifically for providing special education services to students within the School District.

Vocational Education Fund - The vocational education fund is used to account for financial resources to be used specifically for providing vocational education services to students within the School District.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

Inventories are stated at cost.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the District's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service. The District's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The District's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2005, \$1,746,703 of the District's bank balance of \$2,159,545 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2005, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 322,380
Federal Grants	154,003
Other Grant Programs & Fees	<u>230,427</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 706,810</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2005 the School District had \$9,549 of estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$970,000 at 1.73% interest per annum on October 18, 2004, from JPMorgan Chase on a Property Tax Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The notes were repaid on April 1, 2005.

General Fund	\$ 120,000
Special Education Fund	400,000
Career Technical Preparation Fund	<u>450,000</u>
<u>TOTAL</u>	<u>\$ 970,000</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$5,729,199	\$0	\$0	\$5,729,199
Land Improvements	79,401	0	0	79,401
Equipment and Furniture	1,048,675	46,951	0	1,095,626
Vehicles	381,623	0	0	381,623
Totals at Historical Cost	<u>\$7,238,898</u>	<u>\$46,951</u>	<u>\$0</u>	<u>\$7,285,849</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(2,074,267)	(129,264)	0	(2,203,531)
Land Improvements	(6,710)	(862)	0	(7,572)
Equipment and Furniture	(949,204)	(28,083)	0	(977,287)
Vehicles	(283,633)	(19,598)	0	(303,231)
Total Accumulated Depreciation	<u>(\$3,313,814)</u>	<u>(\$177,807)</u>	<u>\$0</u>	<u>(\$3,491,621)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$3,925,084</u>	<u>(\$130,856)</u>	<u>\$0</u>	<u>\$3,794,228</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 39,562
Support Services	29,764
Unallocated	<u>108,481</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 177,807</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, and vehicle insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2005 were \$42,440 and the School District received a dividend refund of \$5,855.

11) GENERAL LONG-TERM DEBT

A) Durant Resolution Package Bonds

Sanilac Intermediate School District issued Durant Resolution Bonds on November 24, 1998 in the amount of \$347,037 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2005 was \$221,711. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

B) 2001 General Obligation School Building and Site Bonds

The bonds were issued February 20, 2001 in the amount of \$1,655,000, for the purpose of erecting, furnishing and equipping a special education classroom addition to be located at Maple Valley Elementary School in Sandusky. The bonds mature serially through May 1, 2011, at varying principal amounts. Interest rates on the bonds range from 3.7% to 4.0% per annum. The balance of the bonds at June 30, 2005, was \$1,105,000.

C) 2001 School Building and Site Bonds (General Obligation – Limited Tax) Qualified Zone Academy Bonds

Sanilac Intermediate School District issued 2001 School Building and Site Bonds dated July 12, 2001, in the amount of \$673,450 at 100% of par and accrued interest to the date of delivery, maturing on July 12 of each year. The balance as of June 30, 2005 was \$518,041.

D) 2005 School Building and Site Bonds (General Obligation – Limited Tax)

The bonds were issued March 8, 2005 in the amount of \$425,000. The bonds mature serially through May 1, 2019, at varying principal amounts. Interest rates on the bonds range from 2.65% to 4.25% per annum. The balance of the bonds at June 30, 2005, was \$425,000.

E) Contracts Payable

Contracts payable consisted of the following at June 30, 2005:

3.5% note to Tri-County Bank, \$388 payments monthly, including interest, collateralized by Dodge pickup, matures July 1, 2010.	\$ 21,271
2.45% note to Tri-County Bank, \$15,523 payments annually, plus interest, collateralized by 1 bus, matures June 25, 2008.	44,344
4.75% note to Tri-County Bank, \$9,047 payments annually, plus interest, collateralized by vacant land, matures April 3, 2006.	<u>8,708</u>
<u>TOTAL</u>	<u>\$ 74,323</u>

F) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2005 are as follows:

	BONDS PAYABLE	CONTRACTS PAYABLE	INTEREST	TOTAL
June 30, 2006	\$248,601	\$27,100	\$71,711	\$347,412
June 30, 2007	264,397	18,891	61,025	344,313
June 30, 2008	275,239	19,402	52,151	346,792
June 30, 2009	348,793	4,410	70,738	423,941
June 30, 2010	297,035	4,520	33,317	334,872
June 30, 2011-2015	685,687	0	64,045	749,732
June 30, 2016-2020	<u>150,000</u>	<u>0</u>	<u>16,163</u>	<u>166,163</u>
<u>TOTAL</u>	<u>\$2,269,752</u>	<u>\$74,323</u>	<u>\$369,150</u>	<u>\$2,713,225</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$52,091.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

11) GENERAL LONG-TERM DEBT (Continued)

G) Changes in General Long-Term Debt

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
General Obligation & Durant Bonds	\$2,046,555	\$425,000	\$201,803	\$2,269,752	\$248,601
Contracts Payable	83,524	39,439	48,640	74,323	27,100
Unpaid Sick & Vacation Payable	53,051	0	462	52,589	0
<u>Total Governmental Activities</u>	<u>\$2,183,130</u>	<u>\$464,439</u>	<u>\$250,905</u>	<u>\$2,396,664</u>	<u>\$275,701</u>

12) OPERATING LEASES

Operating Lease as Lessee

The District entered into a lease with the Sandusky Community Schools for the purpose of leasing a building under construction at the Sandusky Middle School. The lease dated June 16, 1993 began on July 1, 1993 with occupancy occurring on or about August 23, 1993 and extends for fifteen years. Lease payments totaling \$140,000 were paid at the inception of the lease. The purpose of the lease is to allow the consortium to provide special education services and other related services. The Sandusky Community Schools is responsible for all utilities and property and casualty insurance.

Sanilac Intermediate School District has entered into the following operating leases summarized below:

	MONTHLY PAYMENT	MATURITY DATE
GMAC – Van	\$ 391	May, 2007
Copiers – Zerox	828	January, 2009
Copiers - Wells Fargo	248	December, 2008
2006	\$ 17,603	
2007	17,211	
2008	12,907	
2009	7,281	
<u>TOTAL</u>	<u>\$ 55,002</u>	

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

<u>DUE FROM</u>					
	GENERAL FUND	SPECIAL EDUCATION	VOCATIONAL EDUCATION	2005 CAPITAL PROJECTS	TOTAL
<u>DUE TO</u> General Fund	\$0	\$1,146	\$0	\$0	\$1,146
Special Education	1,616	0	0	0	1,616
Vocational Education	1,240	0	0	120,807	122,047
Debt Retirement Fund	3,750	13,390	30,000	0	47,140
<u>TOTAL</u>	<u>\$6,606</u>	<u>\$14,536</u>	<u>\$30,000</u>	<u>\$120,807</u>	<u>\$171,949</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

13) INTERFUND ACTIVITY (Continued)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following:

	TRANSFERS FROM		
	<u>SPECIAL EDUCATION</u>	<u>VOCATIONAL EDUCATION</u>	<u>TOTAL</u>
General Fund	\$127,613	\$158,332	\$285,945
2005 Capital Projects	0	17,226	17,226
QZAB Capital Projects	25,384	23,500	48,884
<u>TOTAL</u>	<u>\$152,997</u>	<u>\$199,058</u>	<u>\$352,055</u>

The transfers are reimbursements to the general fund from special education and vocational education funds for overhead costs that are calculated annually and approved by the board. The special education and vocational education funds also reimburse the QZAB capital projects fund for capital projects.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2004 through September 30, 2004 and 14.87 percent for the period October 1, 2004 through June 30, 2005 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS pension plan for the years ended June 30, 2005, 2004 and 2003 were \$578,792, \$525,739 and \$526,925, respectively.

Postemployment Benefits

Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS pension plan discussed above.

SANILAC INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits. The audit of these programs for and including the year ended June 30, 2005, has been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

18) SUBSEQUENT EVENT

The District borrowed \$995,000 at 2.64% interest per annum on August 17, 2005, from Tri-County Bank on a Property Tax Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The notes mature on April 3, 2006.

General Fund	\$ 120,000
Special Education Fund	100,000
Career Technical Preparation Fund	<u>775,000</u>
<u>TOTAL</u>	<u>\$ 995,000</u>

REQUIRED
SUPPLEMENTARY
INFORMATION

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Local Sources	\$285,556	\$289,691	\$289,934	\$243
State Sources	486,582	537,114	538,870	1,756
Federal Sources	41,191	39,726	29,667	(10,059)
Total Revenues	<u>\$813,329</u>	<u>\$866,531</u>	<u>\$858,471</u>	<u>(\$8,060)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	169,606	162,479	163,229	(750)
Instructional Support	416,500	495,673	452,028	43,645
General Administration	435,017	450,829	457,013	(6,184)
Business Administration	3,295	1,895	1,529	366
Operation & Maintenance of Plant	4,764	5,766	5,938	(172)
Support Services - Other	280,656	331,623	320,150	11,473
Community Services	256,815	198,080	202,711	(4,631)
Total Expenditures	<u>\$1,566,653</u>	<u>\$1,646,345</u>	<u>\$1,602,598</u>	<u>\$43,747</u>
Excess of Revenues Over Expenditures	<u>(\$753,324)</u>	<u>(\$779,814)</u>	<u>(\$744,127)</u>	<u>\$35,687</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>631,876</u>	<u>581,616</u>	<u>612,568</u>	<u>30,952</u>
Net Change in Fund Balance	<u>(\$121,448)</u>	<u>(\$198,198)</u>	<u>(\$131,559)</u>	<u>\$66,639</u>
<u>FUND BALANCE - BEGINNING</u>			<u>280,957</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$149,398</u>	

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$1,245,794	\$1,198,434	\$1,227,141	\$28,707
State Sources	828,141	812,929	819,077	6,148
Federal Sources	1,683,276	1,653,813	1,692,003	38,190
Total Revenues	<u>\$3,757,211</u>	<u>\$3,665,176</u>	<u>\$3,738,221</u>	<u>\$73,045</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,234,860	1,192,671	1,176,321	16,350
Student Services	683,638	643,329	638,267	5,062
Instructional Support	930,891	793,017	779,104	13,913
General Administration	6,500	8,000	7,512	488
School Administration	166,054	166,311	166,304	7
Business Administration	2,252	5,086	5,085	1
Operation & Maintenance of Plant	104,257	87,927	79,198	8,729
Transportation	372,483	314,988	314,452	536
Community Services	3,900	1,900	1,080	820
Total Expenditures	<u>\$3,504,835</u>	<u>\$3,213,229</u>	<u>\$3,167,323</u>	<u>\$45,906</u>
Excess of Revenues Over Expenditures	<u>\$252,376</u>	<u>\$451,947</u>	<u>\$570,898</u>	<u>\$118,951</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(301,013)</u>	<u>(515,172)</u>	<u>(498,756)</u>	<u>16,416</u>
Net Change in Fund Balance	<u>(\$48,637)</u>	<u>(\$63,225)</u>	<u>\$72,142</u>	<u>\$135,367</u>
<u>FUND BALANCE - BEGINNING</u>			<u>478,286</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$550,428</u>	

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
VOCATIONAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$2,321,939	\$2,284,294	\$2,275,135	(\$9,159)
State Sources	439,465	479,161	485,632	6,471
Federal Sources	618,668	640,949	661,813	20,864
Total Revenues	<u>\$3,380,072</u>	<u>\$3,404,404</u>	<u>\$3,422,580</u>	<u>\$18,176</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	1,948,794	2,024,502	2,022,422	2,080
Student Services	96,380	98,067	120,947	(22,880)
Instructional Support	66,075	266,427	235,335	31,092
General Administration	2,500	3,900	3,877	23
School Administration	467,924	473,828	460,829	12,999
Business Administration	17,775	13,752	12,849	903
Operation & Maintenance of Plant	423,152	422,380	396,137	26,243
Support Services - Other	416,653	39,309	34,065	5,244
Community Services	182,283	167,425	169,660	(2,235)
Total Expenditures	<u>\$3,621,536</u>	<u>\$3,509,590</u>	<u>\$3,456,121</u>	<u>\$53,469</u>
Excess of Revenues Over Expenditures	<u>(\$241,464)</u>	<u>(\$105,186)</u>	<u>(\$33,541)</u>	<u>\$71,645</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>13,962</u>	<u>(223,844)</u>	<u>(149,597)</u>	<u>74,247</u>
Net Change in Fund Balance	<u>(\$227,502)</u>	<u>(\$329,030)</u>	<u>(\$183,138)</u>	<u>\$145,892</u>
<u>FUND BALANCE - BEGINNING</u>			<u>605,382</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$422,244</u>	

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
2005 CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$2,805	\$2,805	\$3,724	\$919
<u>EXPENDITURES</u>				
Capital Outlay	441,339	441,339	175,414	265,925
Excess of Revenues Over Expenditures	(\$438,534)	(\$438,534)	(\$171,690)	\$266,844
<u>OTHER FINANCING SOURCES (USES)</u>	<u>438,534</u>	<u>438,534</u>	<u>796,500</u>	<u>357,966</u>
Net Change in Fund Balance	\$0	\$0	\$624,810	\$624,810
<u>FUND BALANCE - BEGINNING</u>			<u>0</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$624,810</u>	

OTHER SUPPLEMENTAL
INFORMATION

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	2001 Debt Retirement	QZAB Capital Projects	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$140,852	\$249,326	\$390,178
Accounts Receivable	1,749	\$0	1,749
Interest Receivable	0	2,305	2,305
Due from Other Governmental Units	107	0	107
<u>TOTAL ASSETS</u>	<u>\$142,708</u>	<u>\$251,631</u>	<u>\$394,339</u>
<u>LIABILITIES</u>			
Due to Other Funds	\$47,140	\$0	\$47,140
<u>FUND BALANCES</u>			
Reserved for Debt Retirement	95,568	0	95,568
Reserved for Capital Projects	0	251,631	251,631
Total Fund Balances	<u>\$95,568</u>	<u>\$251,631</u>	<u>\$347,199</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$142,708</u>	<u>\$251,631</u>	<u>\$394,339</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	2001 Debt Retirement	QZAB Capital Projects	Total
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$184,497	\$0	\$184,497
Taxes Other than Property	2,459	0	2,459
Earnings on Investments and Deposits	2,250	12,315	14,565
Total Local Sources	<u>\$189,206</u>	<u>\$12,315</u>	<u>\$201,521</u>
<u>State Sources</u>	<u>534</u>	<u>0</u>	<u>534</u>
Total Revenues	<u>\$189,740</u>	<u>\$12,315</u>	<u>\$202,055</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Funds	<u>0</u>	<u>48,884</u>	<u>48,884</u>
Total Revenues and Other Financing Sources	<u>\$189,740</u>	<u>\$61,199</u>	<u>\$250,939</u>
<u>EXPENDITURES</u>			
Debt Retirement			
Redemption of Bond Principal	150,000	0	150,000
Interest on Bonded Debt	49,815	0	49,815
Dues and Fees	349	0	349
Taxes Abated	129	0	129
Capital Projects			
Renovations	0	0	0
Principal Payment	<u>0</u>	<u>51,803</u>	<u>51,803</u>
Total Expenditures	<u>\$200,293</u>	<u>\$51,803</u>	<u>\$252,096</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$10,553)</u>	<u>\$9,396</u>	<u>(\$1,157)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$106,121</u>	<u>\$242,235</u>	<u>\$348,356</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$95,568</u>	<u>\$251,631</u>	<u>\$347,199</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$251,448	\$249,365	(\$2,083)
Non-Property Taxes	835	2,607	1,772
Earnings on Investments and Deposits	2,175	2,868	693
Other Local Revenues	35,233	35,094	(139)
Total Revenues from Local Sources	\$289,691	\$289,934	\$243
<u>State Sources</u>			
State Aid - Sec. 81	407,479	407,478	(1)
Math and Science Challenge Grant - Sec. 99.1	66,595	66,595	0
ISD Gifted and Talented	991	992	1
Renaissance Zone	622	641	19
Durant	34,704	34,704	0
Great Parents-Great Start	26,723	28,460	1,737
Total Revenues from State Sources	\$537,114	\$538,870	\$1,756
<u>Federal Sources</u>			
Improving Teacher Quality	21	21	0
Title V	1,447	1,047	(400)
Emergency Response	12,728	16,966	4,238
Homeland Security	307	307	0
Adult Education	1,500	1,500	0
Rural Education Achievement Program	23,723	9,826	(13,897)
Total Revenues from Federal Sources	\$39,726	\$29,667	(\$10,059)
Total Revenues	\$866,531	\$858,471	(\$8,060)
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Funds	285,945	285,945	0
Insurance Reimbursements	703	703	0
Transfers from Other Governmental Units	325,872	344,307	18,435
Total Other Financing Sources	\$612,520	\$630,955	\$18,435
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$1,479,051</u>	<u>\$1,489,426</u>	<u>\$10,375</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
<u>Basic Programs</u>			
Salaries - Professional	\$101,618	\$101,618	\$0
Salaries - Non-Professional	2,500	2,503	(3)
Insurances	30,867	30,925	(58)
Fica, Retirement, Etc.	23,525	23,298	227
Supplies and Materials	3,969	4,885	(916)
<u>Total Instruction</u>	\$162,479	\$163,229	(\$750)
<u>SUPPORT SERVICES</u>			
<u>Instructional Staff</u>			
Salaries - Professional	174,814	195,539	(20,725)
Salaries - Non-Professional	48,110	51,795	(3,685)
Insurances	38,774	40,048	(1,274)
Fica, Retirement, Etc.	47,985	48,007	(22)
Other Benefits	620	620	0
Purchased Services	52,053	45,321	6,732
Supplies and Materials	104,541	55,022	49,519
Other	28,776	15,676	13,100
Total Instructional Staff	\$495,673	\$452,028	\$43,645
<u>General Administration</u>			
Salaries - Professional	123,597	119,188	4,409
Salaries - Non-Professional	132,419	132,484	(65)
Insurances	61,353	61,750	(397)
Fica, Retirement, Etc.	72,018	73,503	(1,485)
Other Benefits	400	400	0
Purchased Services	46,669	46,443	226
Supplies and Materials	6,000	5,964	36
Other	8,373	17,281	(8,908)
Total General Administration	\$450,829	\$457,013	(\$6,184)
<u>Business Administration</u>			
Purchased Services	455	452	3
Other	1,440	1,077	363
Total Business Administration	\$1,895	\$1,529	\$366
<u>Operation and Maintenance</u>			
Purchased Services	5,628	5,800	(172)
Capital Outlay	138	138	0
Total Operation and Maintenance	\$5,766	\$5,938	(\$172)

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN

GENERAL FUNDSCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES</u> (Continued)			
<u>Other Support Services</u>			
Salaries - Professional	\$85,653	\$86,032	(\$379)
Salaries - Non-Professional	39,957	39,957	0
Insurances	30,424	30,713	(289)
Fica, Retirement, Etc.	27,343	27,426	(83)
Other Benefits	200	200	0
Purchased Services	105,231	92,943	12,288
Supplies and Materials	11,230	11,341	(111)
Capital Outlay	20,424	20,423	1
Other	11,161	11,115	46
Total Other Support Services	<u>\$331,623</u>	<u>\$320,150</u>	<u>\$11,473</u>
 <u>Total Support Services</u>	 \$1,285,786	 \$1,236,658	 \$49,128
 <u>COMMUNITY SERVICES</u>			
Salaries - Professional	96,782	96,782	0
Salaries - Non-Professional	25,021	25,153	(132)
Insurances	35,457	34,492	965
Fica, Retirement, Etc.	27,520	31,612	(4,092)
Other Benefits	6,000	6,000	0
Purchased Services	1,500	1,800	(300)
Supplies and Materials	5,800	6,872	(1,072)
<u>Total Community Services</u>	<u>\$198,080</u>	<u>\$202,711</u>	<u>(\$4,631)</u>
 <u>Total Expenditures</u>	 \$1,646,345	 \$1,602,598	 \$43,747
 <u>OTHER FINANCING USES</u>			
Transfers to Other Governmental Units	<u>30,904</u>	<u>18,387</u>	<u>12,517</u>
 <u>TOTAL EXPENDITURES AND OTHER</u> <u>FINANCING USES</u>	 <u>\$1,677,249</u>	 <u>\$1,620,985</u>	 <u>\$56,264</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SPECIAL EDUCATION FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$905,506	\$898,005	(\$7,501)
Non-Property Taxes	3,005	9,559	6,554
Earnings on Investments and Deposits	8,945	11,985	3,040
Medicaid	260,000	288,754	28,754
Other Local Revenues	20,978	18,838	(2,140)
Total Revenues from Local Sources	\$1,198,434	\$1,227,141	\$28,707
<u>State Sources</u>			
Special Education - Sec 51 a	700,343	700,343	0
Court/State Agency Placed	0	6,212	6,212
School for Deaf/Blind - Sec. 54	24,953	24,953	0
Renaissance Zone	2,241	2,177	(64)
State Aid - Sec. 81	85,392	85,392	0
Total Revenues from State Sources	\$812,929	\$819,077	\$6,148
<u>Federal Sources</u>			
I.D.E.A. Flowthrough	1,350,109	1,342,326	(7,783)
I.D.E.A. Preschool Incentive	55,978	55,978	0
State Initiated Grants	40,000	40,000	0
Transition Services	60,000	60,000	0
Capacity Building	16,344	16,344	0
Technology Materials and Training - ISD	2,640	2,640	0
Medicaid - Transportation	6,000	10,613	4,613
Medicaid - Administrative Outreach	30,258	69,044	38,786
Early On	92,484	95,058	2,574
Total Revenues from Federal Sources	\$1,653,813	\$1,692,003	\$38,190
Total Revenues	\$3,665,176	\$3,738,221	\$73,045
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Governmental Units	223,477	223,977	500
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$3,888,653</u>	<u>\$3,962,198</u>	<u>\$73,545</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SPECIAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>INSTRUCTION</u>			
Salaries - Professional	\$270,541	\$274,428	(\$3,887)
Salaries - Non-Professional	426,223	419,809	6,414
Insurances	316,523	305,495	11,028
Fica, Retirement, Etc.	156,545	156,157	388
Other Benefits	840	840	0
Purchased Services	1,995	819	1,176
Supplies and Materials	20,004	18,773	1,231
<u>Total Instruction</u>	<u>\$1,192,671</u>	<u>\$1,176,321</u>	<u>\$16,350</u>
<u>SUPPORT SERVICES</u>			
<u>Student Services</u>			
Salaries - Professional	423,536	423,547	(11)
Insurances	96,554	96,590	(36)
Fica, Retirement, Etc.	94,941	94,722	219
Other Benefits	1,700	1,700	0
Purchased Services	16,820	13,563	3,257
Supplies and Materials	6,778	5,145	1,633
Other	3,000	3,000	0
<u>Total Student Services</u>	<u>\$643,329</u>	<u>\$638,267</u>	<u>\$5,062</u>
<u>Instructional Support</u>			
Salaries - Professional	281,359	281,360	(1)
Salaries - Non-Professional	56,031	56,030	1
Insurances	86,745	87,321	(576)
Fica, Retirement, Etc.	74,393	74,202	191
Other Benefits	420	420	0
Purchased Services	273,859	257,469	16,390
Supplies and Materials	17,461	19,880	(2,419)
Other	2,749	2,422	327
<u>Total Instructional Support</u>	<u>\$793,017</u>	<u>\$779,104</u>	<u>\$13,913</u>
<u>General Administration</u>			
Purchased Services	8,000	7,512	488
<u>School Administration</u>			
Salaries - Professional	85,141	85,141	0
Salaries - Non-Professional	29,249	29,249	0
Insurances	22,209	22,526	(317)
Fica, Retirement, Etc.	24,892	24,892	0
Other Benefits	420	420	0
Purchased Services	1,600	1,368	232
Supplies and Materials	2,800	2,708	92
<u>Total School Administration</u>	<u>\$166,311</u>	<u>\$166,304</u>	<u>\$7</u>
<u>Business Administration</u>			
Other	5,086	5,085	1

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN

SPECIAL EDUCATION FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>SUPPORT SERVICES (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Operation and Maintenance</u>			
Salaries - Non-Professional	\$14,386	\$14,386	\$0
Insurances	8,170	8,169	1
Fica, Retirement, Etc.	3,668	3,178	490
Purchased Services	31,198	26,015	5,183
Supplies and Materials	19,205	16,245	2,960
Capital Outlay	11,300	11,205	95
Total Operation and Maintenance	\$87,927	\$79,198	\$8,729
<u>Transportation</u>			
Salaries - Non-Professional	97,013	97,880	(867)
Insurances	72,215	72,352	(137)
Fica, Retirement, Etc.	21,780	21,863	(83)
Purchased Services	100,308	99,579	729
Supplies and Materials	8,600	7,850	750
Capital Outlay	14,072	14,064	8
Other	1,000	864	136
Total Transportation	\$314,988	\$314,452	\$536
<u>Total Support Services</u>	\$2,018,658	\$1,989,922	\$28,736
<u>COMMUNITY SERVICES</u>			
Purchased Services	1,800	979	821
Supplies and Materials	100	101	(1)
Total Community Services	\$1,900	\$1,080	\$820
<u>Total Expenditures</u>	\$3,213,229	\$3,167,323	\$45,906
<u>OTHER FINANCING USES</u>			
Transfers to Other Governmental Units	513,459	504,283	9,176
Transfer to Other Funds	152,997	152,997	0
Other Transfers	72,193	65,453	6,740
Total Other Financing Uses	\$738,649	\$722,733	\$15,916
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$3,951,878	\$3,890,056	\$61,822

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
VOCATIONAL EDUCATION FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$2,012,928	\$1,996,254	(\$16,674)
Taxes Other Than Property	7,100	20,871	13,771
Earnings on Investments and Deposits	8,900	10,615	1,715
Tuition	37,000	42,634	5,634
Program Sales	158,100	145,082	(13,018)
Other Local Revenues	60,266	59,679	(587)
Total Revenues from Local Sources	\$2,284,294	\$2,275,135	(\$9,159)
<u>State Sources</u>			
State Aid - Added Cost - Sec. 61a.1	209,041	209,336	295
State Aid - Voc. Ed Millage Equalization Sec. 62	122,933	124,810	1,877
State Aid - Voc. Ed Administration Sec. 61a.2	10,664	10,664	0
MI Works Staffing Grant	0	4,441	4,441
Renaissance Zone	4,982	4,840	(142)
State Aid - Sec. 81	131,541	131,541	0
Total Revenues from State Sources	\$479,161	\$485,632	\$6,471
<u>Federal Sources</u>			
MI Works Staffing Grant	209,168	229,831	20,663
Tech Prep Grant	0	301	301
Summer School Grant	1,500	1,400	(100)
Secondary Regional Allocation	430,281	430,281	0
Total Revenues from Federal Sources	\$640,949	\$661,813	\$20,864
Total Revenues	\$3,404,404	\$3,422,580	\$18,176
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Governmental Units	237,736	228,068	(9,668)
Other Transfers	84,728	185,274	100,546
Donated Items	7,651	7,651	0
Total Other Financing Sources	\$330,115	\$420,993	\$90,878
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$3,734,519</u>	<u>\$3,843,573</u>	<u>\$109,054</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Instruction</u>			
Salaries - Professional	\$764,845	\$764,665	\$180
Salaries - Non-Professional	111,895	113,539	(1,644)
Insurances	265,086	262,015	3,071
Fica, Retirement, Etc.	212,871	212,636	235
Other Benefits	3,200	3,200	0
Purchased Services	118,194	112,960	5,234
Supplies and Materials	317,074	327,846	(10,772)
Capital Outlay	128,258	125,201	3,057
Other	15,909	13,510	2,399
Total Instruction	\$1,937,332	\$1,935,572	\$1,760
<u>Adult Continuing Education</u>			
Salaries - Professional	51,158	50,658	500
Insurances	15,187	15,248	(61)
Fica, Retirement, Etc.	11,370	11,252	118
Purchased Services	6,000	6,292	(292)
Supplies and Materials	3,455	3,400	55
Total Adult Continuing Education	\$87,170	\$86,850	\$320
<u>Total Instruction</u>	\$2,024,502	\$2,022,422	\$2,080
<u>SUPPORT SERVICES</u>			
<u>Student Services</u>			
Salaries - Professional	73,981	73,273	708
Fica, Retirement, Etc.	1,375	1,271	104
Purchased Services	19,780	43,409	(23,629)
Supplies and Materials	2,458	2,521	(63)
Other	473	473	0
Total Student Services	\$98,067	\$120,947	(\$22,880)
<u>Instructional Staff</u>			
Purchased Services	23,744	21,219	2,525
Supplies and Materials	242,683	214,116	28,567
Total Instructional Staff	\$266,427	\$235,335	\$31,092
<u>General Administration</u>			
Purchased Services	3,900	3,877	23
<u>School Administration</u>			
Salaries - Professional	93,836	93,836	0
Salaries - Non-Professional	138,394	138,393	1
Insurances	87,060	87,684	(624)
Fica, Retirement, Etc.	71,668	65,809	5,859
Other Benefits	620	620	0
Purchased Services	46,967	43,961	3,006
Supplies and Materials	22,818	21,093	1,725
Other	12,465	9,433	3,032
Total School Administration	\$473,828	\$460,829	\$12,999

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
VOCATIONAL EDUCATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

<u>SUPPORT SERVICES</u> (Continued)	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>Business Administration</u>			
Other	\$13,752	\$12,849	\$903
<u>Operation and Maintenance of Plant</u>			
Salaries - Non-Professional	68,379	68,081	298
Insurances	39,327	38,099	1,228
Fica, Retirement, Etc.	15,128	15,059	69
Purchased Services	100,958	98,243	2,715
Supplies and Materials	173,514	153,264	20,250
Capital Outlay	25,074	23,391	1,683
Total Operation and Maintenance of Plant	\$422,380	\$396,137	\$26,243
<u>Other Support Services</u>			
Salaries - Professional	8,508	8,508	0
Insurances	16,587	16,585	2
Fica, Retirement, Etc.	1,992	1,916	76
Purchased Services	4,430	6,197	(1,767)
Supplies and Materials	1,562	859	703
Capital Outlay	6,230	0	6,230
Total Other Support Services	\$39,309	\$34,065	\$5,244
<u>Total Support Services</u>	\$1,317,663	\$1,264,039	\$53,624
<u>COMMUNITY SERVICES</u>			
Salaries - Professional	107,182	108,789	(1,607)
Insurances	33,750	34,238	(488)
Fica, Retirement, Etc.	24,093	24,233	(140)
Other Benefits	2,400	2,400	0
Total Community Services	\$167,425	\$169,660	(\$2,235)
<u>Total Expenditures</u>	\$3,509,590	\$3,456,121	\$53,469
<u>OTHER FINANCING USES</u>			
Other Transfers	31,386	30,791	595
Transfers to Other Funds	181,832	199,058	0
Transfers to Other Governmental Units	339,921	339,921	0
Payments on Loans	820	820	0
Total Other Financing Uses	\$553,959	\$570,590	\$595
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	\$4,063,549	\$4,026,711	\$54,064

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2005

	DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS JULY 1, 2004	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT ACTIVITIES AND OTHER ORGANIZATIONS JUNE 30, 2005
Vocational Education:				
ABC Fieldtrip Fund	\$0	\$3,524	\$2,263	\$1,261
Ast Car	(1,151)	1,315	137	27
Ast Fieldtrip	0	436	436	0
Auto Service Tools	228	1,350	1,351	227
Baja	1,264	1,699	2,963	0
Bank Int/Serv Charges	2,005	484	61	2,428
BPA	34	0	0	34
Coke/ASV	21,272	79,366	57,120	43,518
DECA	2,559	11,006	9,453	4,112
Earth Center	0	234	28	206
Electric Cars	250	1,483	1,534	199
FCCLA	1,087	11,094	10,618	1,563
FFA	427	32,959	27,448	5,938
FFA Scholarships	0	1,215	0	1,215
Flower Fund	38	507	545	0
Food Tips	665	107	217	555
General Ed Flowthrough	1,838	0	1,838	0
HOSA	1,033	13,844	11,951	2,926
Miscellaneous	(77)	6,282	6,205	0
Peak	3,966	11,580	8,736	6,810
Preschool Expo Books	131	624	713	42
Safety Glasses	311	0	116	195
Science Symposium	4	1,000	4	1,000
<u>TOTAL AGENCY FUND</u>	<u>\$35,884</u>	<u>\$180,109</u>	<u>\$143,737</u>	<u>\$72,256</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1998 DURANT RESOLUTION PACKAGE BONDS

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$347,037

<u>PAYMENT DATE - MAY 15TH</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL</u>
2006	\$16,798	4.761353%	\$7,572	\$24,370
2007	17,594	4.761353%	6,772	24,366
2008	18,436	4.761353%	5,935	24,371
2009	81,990	4.761353%	33,013	115,003
2010	20,232	4.761353%	4,137	24,369
2011	21,196	4.761353%	3,174	24,370
2012	22,204	4.761353%	2,165	24,369
2013	23,261	4.761353%	1,108	24,369
<u>TOTAL</u>	<u>\$221,711</u>		<u>\$63,876</u>	<u>\$285,587</u>

2001 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

DATE OF ISSUE - February 20, 2001

Original amount of issue - \$1,655,000

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>INTEREST PAYABLE</u>	<u>TOTAL</u>
11-01-05	\$0		\$22,020	\$22,020
05-01-06	160,000	4.000%	22,020	182,020
11-01-06	0		18,900	18,900
05-01-07	170,000	4.000%	18,900	188,900
11-01-07	0		15,500	15,500
05-01-08	180,000	4.000%	15,500	195,500
11-01-08	0		11,900	11,900
05-01-09	190,000	4.000%	11,900	201,900
11-01-09	0		8,100	8,100
05-01-10	200,000	4.000%	8,100	208,100
11-01-10	0		4,100	4,100
05-01-11	205,000	4.000%	4,100	209,100
<u>TOTAL</u>	<u>\$1,105,000</u>		<u>\$161,040</u>	<u>\$1,266,040</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

DATE OF ISSUE - July 12, 2001

Original amount of issue - \$673,450

2001 SCHOOL BUILDING & SITE BONDS (GENERAL OBLIGATION - LIMITED TAX)

<u>PAYMENT DATE JULY 12</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2005	\$51,803	0.00%
2006	51,803	0.00%
2007	51,803	0.00%
2008	51,803	0.00%
2009	51,803	0.00%
2010	51,803	0.00%
2011	51,803	0.00%
2012	51,803	0.00%
2013	51,803	0.00%
2014	51,814	0.00%
<u>TOTAL</u>	<u>\$518,041</u>	

2005 GENERAL OBLIGATION SCHOOL BUILDING & SITE BONDS

DATE OF ISSUE - March 8, 2005

Original amount of issue - \$425,000

<u>DUE DATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST RATE</u>	<u>NOVEMBER INTEREST</u>	<u>MAY INTEREST</u>	<u>TOTAL</u>
2005-2006	\$20,000	2.65%	\$10,467	\$7,850	\$38,317
2006-2007	25,000	2.90%	7,585	7,585	40,170
2007-2008	25,000	3.05%	7,223	7,222	39,445
2008-2009	25,000	3.15%	6,841	6,841	38,682
2009-2010	25,000	3.35%	6,447	6,448	37,895
2010-2011	30,000	3.50%	6,029	6,029	42,058
2011-2012	30,000	3.65%	5,504	5,504	41,008
2012-2013	30,000	3.75%	4,956	4,956	39,912
2013-2014	30,000	3.85%	4,394	4,394	38,788
2014-2015	35,000	3.95%	3,816	3,816	42,632
2015-2016	35,000	4.05%	3,125	3,125	41,250
2016-2017	35,000	4.15%	2,416	2,416	39,832
2017-2018	40,000	4.20%	1,690	1,690	43,380
2018-2019	40,000	4.25%	850	850	41,700
<u>TOTAL</u>	<u>\$425,000</u>		<u>\$71,343</u>	<u>\$68,726</u>	<u>\$565,069</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT

SANDUSKY, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2005

CONTENTS

	<u>PAGE</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	2 – 3
Schedule of Expenditures of Federal Awards for the year ended June 30, 2005	4 – 5
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005	6
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2005	7
Summary of Findings and Questioned Costs for the year ended June 30, 2005	8
Status of Prior Year Findings	9
Schedule of Expenditures of Federal Awards Provided to Subrecipients for the year ended June 30, 2005	10



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 18, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Sanilac Intermediate School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2005, which collectively comprise the Sanilac Intermediate School District's basic financial statements and have issued our report thereon dated August 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanilac Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf, P.C.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

August 18, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Sanilac Intermediate School District

Compliance

We have audited the compliance of Sanilac Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Sanilac Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sanilac Intermediate School District's management. Our responsibility is to express an opinion on Sanilac Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sanilac Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sanilac Intermediate School District's compliance with those requirements.

In our opinion, Sanilac Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Sanilac Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sanilac Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Sanilac Intermediate School District

Page 2

August 18, 2005

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sanilac Intermediate School District, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 18, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Sanilac Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the finance committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>DIRECT PROGRAMS</u>			
Rural Education Achievement Program	84.358		
Small, Rural School Achievement (04-05)		S358A032275	\$2,311
Small, Rural School Achievement (03-04)		S358A032275	21,412
Total Rural Education Achievement Program			<u>\$23,723</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Adult Education - State Grant Program	84.002		
Basic Grant Programs			
ABE - State Leadership Project (04-05)		041150-540010	1,500
Special Education - Grants to States	84.027		
IDEA Flowthrough (03-04)		040450-0304	1,248,648
IDEA Flowthrough (04-05)		050450-0405	1,462,230
State Initiated - EOSD (04-05)		050480-EOSD	40,000
Capacity Building (04-05)		050490-CB	16,344
Transition Services (03-04)		040490-TS	60,000
Transition Services (04-05)		050490-TS	60,000
Total Special Education - Grants to States			<u>\$2,887,222</u>
Vocational Education - Basic Grants to States	84.048		
Secondary Regional Allocation (03-04)		043520-401211	440,168
Secondary Regional Allocation (04-05)		053520-501211	430,281
Total Vocational Education - Basic Grants to States			<u>\$870,449</u>
Special Education - Preschool Grants	84.173		
Preschool Incentive (03-04)		040460-0304	55,907
Preschool Incentive (04-05)		050460-0405	55,978
Total Special Education - Preschool Grants			<u>\$111,885</u>
Special Education - Grants for Infants and Families with Disabilities	84.181		
Formula Grant (03-04)		041340-190	83,038
Formula Grant (04-05)		051340-190	87,454
Total Special Education - Grants for Infants and Families with Disabilities			<u>\$170,492</u>
Innovative Education Program Strategies	84.298		
Title V (04-05)		040250-0304	1,047
Improving Teacher Quality	84.367		
Title IIA (04-05)		040520-0304	421
Total Passed Through the Michigan Department of Education			<u>\$4,043,016</u>
Passed Through the Tuscola Intermediate School District:			
Special Education - Grants to States	84.027		
State Initiated		050480-TMT	2,640

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$2,311	\$0	\$2,311	\$0
0	0	7,515	0	7,515	0
\$0	\$0	\$9,826	\$0	\$9,826	\$0
0	0	1,500	0	1,500	0
100,206	1,181,206	67,442	0	167,648	0
0	0	1,274,884	0	1,182,000	92,884
0	0	40,000	0	40,000	0
0	0	16,344	0	16,344	0
4,000	60,000	0	0	4,000	0
0	0	60,000	0	56,000	4,000
\$104,206	\$1,241,206	\$1,458,670	\$0	\$1,465,992	\$96,884
10,168	440,168	0	0	10,168	0
0	0	430,281	0	430,281	0
\$10,168	\$440,168	\$430,281	\$0	\$440,449	\$0
7,907	55,907	0	0	7,907	0
0	0	55,978	0	55,978	0
\$7,907	\$55,907	\$55,978	\$0	\$63,885	\$0
(1,333)	50,167	32,871	0	31,538	0
0	0	62,187	0	58,500	3,687
(\$1,333)	\$50,167	\$95,058	\$0	\$90,038	\$3,687
0	0	1,047	0	1,047	0
0	0	21	0	421	(400)
\$120,948	\$1,787,448	\$2,042,555	\$0	\$2,063,332	\$100,171
0	0	2,640	0	2,640	0

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	PROGRAM OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>			
Passed Through the Tuscola Intermediate School District: (Continued)			
Tech Prep	84.243	5014-11	\$301
School-Land Security	84.184	None	16,966
Total Passed Through the Tuscola Intermediate School District			<u>\$19,907</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$4,086,646
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Thumb Area - Michigan Works:			
State Administrative Matching Grants for Food Stamp Program	10.561	N/A	149
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>			
Passed Through Thumb Area - Michigan Works:			
MI Works Staffing Grant			
Employment Service/Wagner Peyser	17.207	N/A	30,378
WIA Adult	17.258	N/A	24,983
WIA Youth Activities	17.259	N/A	50,000
WIA Youth Staffing Grant	17.259	N/A	52,107
WIA Dislocated Workers	17.260	N/A	15,429
Reed Act (03-04)	Unknown	Unknown	57,816
Reed Act (04-05)	Unknown	Unknown	36,246
2004 Career Pathways	17.259	N/A	38,759
Total Passed Through Thumb Area-Michigan Works			<u>\$305,718</u>
Passed Through Tuscola Intermediate School District:			
Summer School	17.259	N/A	<u>1,400</u>
<u>TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION</u>			\$307,118
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Thumb Area - Michigan Works:			
Temporary Assistance for Needy Families	93.558	N/A	22,893
Passed Through Michigan Department of Community Health	93.778		
Medicaid Administrative Outreach (04-05)		N/A	69,044
School Based Services - Transportation (04-05)		N/A	10,613
School Based Services - Transportation (03-04)		N/A	14,902
Total Medicaid			<u>\$94,559</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			\$117,452
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Michigan State Police			
Homeland Security 2003	97.004	N/A	<u>307</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$4,511,672</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2004	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2005
\$0	\$0	\$301	\$0	\$301	\$0
0	0	16,966	0	16,966	0
\$0	\$0	\$19,907	\$0	\$19,907	\$0
\$120,948	\$1,787,448	\$2,072,288	\$0	\$2,093,065	\$100,171
0	0	149	0	149	0
0	0	30,378	0	30,378	0
0	0	24,983	0	24,983	0
0	0	47,646	0	10,000	37,646
0	0	52,107	0	35,921	16,186
0	0	15,429	0	15,429	0
13,920	57,816	0	0	13,920	0
0	0	36,246	0	36,246	0
23,759	38,759	0	0	23,759	0
\$37,679	\$96,575	\$206,789	\$0	\$190,636	\$53,832
0	0	1,400	0	1,400	0
\$37,679	\$96,575	\$208,189	\$0	\$192,036	\$53,832
0	0	22,893	0	22,893	0
0	0	69,044	0	69,044	0
0	0	10,613	0	10,613	0
2,319	14,902	0	0	2,319	0
\$2,319	\$14,902	\$79,657	\$0	\$81,976	\$0
\$2,319	\$14,902	\$102,550	\$0	\$104,869	\$0
0	0	307	0	307	0
\$160,946	\$1,898,925	\$2,383,483	\$0	\$2,390,426	\$154,003

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

\$2,383,483

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund \$29,667

Special Education Fund 1,692,003

Vocational Education Fund 661,813

TOTAL

\$2,383,483

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$2,063,332
<u>Add:</u> Grants Passed Through Other Agencies:		
Direct Grants		
Rural Education Achievement Program (CFDA 84.358)		9,826
Passed Through the Tuscola Intermediate School District		
State Initiated - Competitive (CFDA 84.027)	\$2,640	
Tech Prep (CFDA 84.243)	\$301	
School-Land Security (CFDA 84.184)	16,966	
Summer School (CFDA 17.259)	1,400	
Total Passed Through Tuscola Intermediate School District		21,307
Passed Through Thumb Area - Michigan Works		
State Administrative Matching Grants for Food Stamp Program (CFDA 10.561)	149	
Employment Service/Wagner Peyser (CFDA 17.207)	30,378	
WIA Adult (CFDA 17.258)	24,983	
WIA Youth Activities (CFDA 17.259)	45,921	
WIA Dislocated Workers (CFDA 17.260)	15,429	
Reed Act (03-04)	50,166	
2004 Career Pathways (CFDA 17.259)	23,759	
Temporary Assistance for Needy Families	22,893	
Total Passed Through the Thumb Area Consortium		213,678
Passed Through Michigan State Police		
Homeland Security 2003 (CFDA 97.004)		307
Passed Through Michigan Department of Community Health		
School Based Services - Transportation (CFDA 93.778)		81,976
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES</u> <u>OF FEDERAL AWARDS</u>		<u>\$2,390,426</u>

SANILAC INTERMEDIATE SCHOOL DISTRICT- SANDUSKY, MICHIGAN
SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
84.027/84.173
84.048

Name of Federal Program or Cluster
Special Education Cluster
Vocational Education

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no current year findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

SANILAC INTERMEDIATE SCHOOL DISTRICT- SANDUSKY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

2004-1) Special Education Cluster (CFDA #84.027/84.173)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District has developed a standard time certification form and has the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

SANILAC INTERMEDIATE SCHOOL DISTRICT - SANDUSKY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENT
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR/PROGRAM TITLE/ SUBRECIPIENT	FEDERAL CFDA NUMBER	SUBRECIPIENT PROJECT NUMBER	SUBRECIPIENT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Special Education - Grants to States</u>	84.027		
<u>IDEA Flowthrough (02-03) Carryover</u>		030450-0203C	
Brown City Community Schools			\$43,050
Carsonville - Port Sanilac Schools			57,750
Croswell-Lexington Community Schools			103,950
Marlette Community Schools			72,100
Total IDEA Flowthrough (02-03) Carryover			<u>\$276,850</u>
<u>IDEA Flowthrough (03-04)</u>		030450-0203	
Brown City Community Schools			39,200
Carsonville - Port Sanilac Schools			61,600
Croswell-Lexington Community Schools			66,000
Deckerville Community Schools			90,850
Marlette Community Schools			82,400
Peck Community Schools			46,500
Sandusky Community Schools			114,000
Total IDEA Flowthrough (03-04)			<u>\$500,550</u>
<u>IDEA Flowthrough (04-05)</u>		050450-0405	
Brown City Community Schools			59,200
Carsonville - Port Sanilac Schools			30,800
Croswell-Lexington Community Schools			171,600
Marlette Community Schools			82,400
Peck Community Schools			53,600
Sandusky Community Schools			60,800
Total IDEA Flowthrough (04-05)			<u>\$458,400</u>
<u>Vocational Education - Basic Grants to States</u>	84.048		
<u>Secondary Regional Allocation (03-04)</u>		043520-401211	
Huron Intermediate School District			66,025
Lapeer Intermediate School District			154,059
Tuscola Intermediate School District			127,649
Total Secondary Regional Allocation (03-04)			<u>\$347,733</u>
<u>Secondary Regional Allocation (04-05)</u>			
Huron Intermediate School District			64,542
Lapeer Intermediate School District			150,598
Tuscola Intermediate School District			124,781
Total Secondary Regional Allocation (04-05)			<u>\$339,921</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u><u>\$1,923,454</u></u>

DUE TO (FROM) SUBRECIPIENTS JULY 1, 2004	SUBRECIPIENTS PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH TRANSFERRED TO SUBRECIPIENTS	EXPENDITURES REPORTED BY SUBRECIPIENTS	DUE TO (FROM) SUBRECIPIENTS JUNE 30, 2005
\$20,187	\$43,050	\$20,187	\$0	\$0
0	57,750	0	0	0
31,333	103,950	31,333	0	0
0	72,100	0	0	0
<u>\$51,520</u>	<u>\$276,850</u>	<u>\$51,520</u>	<u>\$0</u>	<u>\$0</u>
0	39,200	0	0	0
0	30,800	0	0	0
66,000	66,000	66,000	0	0
0	55,491	35,359	35,359	0
0	82,400	0	0	0
0	46,500	0	0	0
0	114,000	0	0	0
<u>\$66,000</u>	<u>\$434,391</u>	<u>\$101,359</u>	<u>\$35,359</u>	<u>\$0</u>
0	0	59,200	59,200	0
0	0	0	30,800	30,800
0	0	117,524	171,600	54,076
0	0	82,400	82,400	0
0	0	24,800	24,800	0
0	0	60,800	60,800	0
<u>\$0</u>	<u>\$0</u>	<u>\$344,724</u>	<u>\$429,600</u>	<u>\$84,876</u>
0	66,025	0	0	0
0	154,059	0	0	0
12,955	127,649	12,955	0	0
<u>\$12,955</u>	<u>\$347,733</u>	<u>\$12,955</u>	<u>\$0</u>	<u>\$0</u>
0	0	54,309	64,542	10,233
0	0	150,598	150,598	0
0	0	124,781	124,781	0
<u>\$0</u>	<u>\$0</u>	<u>\$329,688</u>	<u>\$339,921</u>	<u>\$10,233</u>
<u>\$130,475</u>	<u>\$1,058,974</u>	<u>\$840,246</u>	<u>\$804,880</u>	<u>\$95,109</u>